

# Global Sourcing of an E-tailing Company

## A case study of supplier relationship, forecasting and inventory control of a Swedish e-tailer sourcing from China

For a number of reasons such as chasing lower labor cost and the availability of technique and certain specialized components, increasing number of companies are sourcing in global market. Under such a background, the competition in global sourcing e-tailing industry has become increasingly fierce. Thereby, a number of companies have an urgent need to improve the performance and to obtain more competitive advantages. This is especially crucial for those companies which are still under development, because more benefits obtained and costs saved, more opportunities to continuous the growth. However, there is a lack of research specially conducted for the companies under development. Thus, it triggers an necessity of researching specific strategies from those companies' perspective, to have a better performance in global sourcing and survive from the competition.

Although many areas and strategies have impact on global sourcing, this study selects supplier relationship, demand forecasting and inventory control as the three research areas. The purposes of the study are refined to (i) analyse the Chinese supplier of the investigated company and explore strategies to improve the buyer-supplier relationship (ii) identify a suitable demand forecast method and modify the previous forecast model accordingly and (iii) generate an inventory level control model that can minimize the inventory cost. Link these three areas, the ultimate goal of this study is to improve the performance of global sourcing. In order to fulfill the purpose, the study follows a system approach and an abductive research process. The method of single case study is used, and both qualitative and quantitative data are collected through interviews, company websites and archival records.

After conducting comparative analysis in all supplier relationship, demand forecasting and inventory control areas, strategies for improving the performance of each area are obtained. The investigated company is suggested to maintain the strategic relationship and develop a deeper supplier-retailer collaboration with the Chinese supplier. A forecasting method with the least squared forecast error is suggested to the company to pursue a lower operating cost. Finally, an inventory control model which can provide optimal order quantities and average inventory levels is generated with the purpose of minimizing the total inventory cost. It is also proved that through applying these three strategies, the logistics related costs can be saved, and the global sourcing performance of the company can be improved.